

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 1999-029-E - ORDER NO. 1999-75
JANUARY 29, 1999

IN RE:	Application of Carolina Power & Light)	ORDER APPROVING
	Company for Approval of Accelerated Cost)	ACCOUNTING
	Recovery of its Nuclear Generating Assets.)	TREATMENT

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of Carolina Power & Light Company (CP&L or the Company) for approval of accelerated cost recovery of its nuclear generating assets.

The Company states that, by Order No. 97-224 issued in Docket No. 96-381-E, the Commission authorized CP&L to accelerate the amortization of certain regulatory assets for the period January 1, 1997 through December 31, 1999. The North Carolina Utilities Commission also granted CP&L this relief. The total North and South Carolina jurisdictional impact of these accelerated amortizations is \$106,000,000.

The Company also notes that the Commission has, under authority of the General Assembly, the power to establish a system of accounts to be kept by public utilities under its jurisdiction and prescribe the manner of keeping such accounts. The Commission from time to time has found it appropriate to prescribe special accounting procedures to fulfill its obligations and responsibilities under the grant of statutory authority.

As the Company points out, there is currently a debate at both the State and Federal levels regarding the deregulation of the generation of electricity. One of the

primary issues involved in the debate is whether the market price of electricity after deregulation will be sufficient to allow utilities to recover their investments in electric generating assets, in particular nuclear generation assets that they have constructed and maintained in order to meet the obligation to serve all customers in their assigned territories. According to CP&L, the acceleration of the cost recovery of these assets will help minimize this potential issue.

CP&L therefore believes that, upon the expiration of the accelerated amortizations of the regulatory assets described in Order No. 97-224, it would be prudent to accelerate the cost recovery of its nuclear generation facilities by a minimum of \$106,000,000 and a maximum of \$150,000,000 annually, on a total retail jurisdictional basis for the period January 1, 2000 through December 31, 2004, for a maximum total retail accelerated cost recovery of \$750,000,000 over the five-year period (\$165,000,000 on a South Carolina jurisdictional basis). This accelerated cost recovery will be allocated among customer classes using the production factor used to allocate nuclear production plant. Under CP&L's plan, the annual minimum of \$23,000,000 will be used to accelerate the cost recovery of the Harris Nuclear Plant, which is the Company's newest and most expensive plant. The remaining South Carolina jurisdictional amount of up to \$10,000,000 will be applied to further accelerated cost recovery of the Harris Plant; applied to accelerated cost recovery of CP&L's other nuclear plants; or carried forward for use during the following year. CP&L states that it will not carry forward to another year more than \$10,000,000.

CP&L states that this accelerated cost recovery will be accomplished through existing customer rates and CP&L will not seek to increase electricity rates due to these increased expenses. The accelerated cost recovery expenses will be recorded to the depreciation expense/accumulated depreciation accounts for the plants in question. In its accounting records and in all of its financial reporting to the Commission, CP&L will separately identify and quantify the annual and accumulated accelerated cost recovery amounts, to distinguish said amounts from the depreciation expense and accumulated depreciation balances resulting from the depreciation rates approved by the Commission. CP&L will file annual reports identifying the amount of accelerated cost recovery charged to each nuclear unit.

CP&L notes that it intends to charge the entire amount requested, \$33,000,000 on a South Carolina jurisdictional basis, each year. In the event CP&L charges less than that amount in any year, CP&L will include in the annual report the reasons for its action, if its plan before us is approved. It appears that the North Carolina Utilities Commission recently approved such accelerated cost recovery by order issued December 22, 1998.

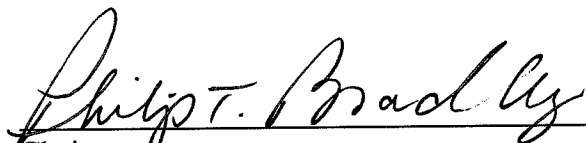
Accordingly, CP&L requests that this Commission approve the described accelerated cost recovery of its nuclear generation production facilities for a five year period as described above. Upon consideration of this matter, the Commission is of the opinion, and so finds, that the proposed accounting treatment contained in the Application filed by CP&L and described above should be approved, for the reasons stated in the Application. Because of the uncertainty of the future of electric deregulation, and the potential for the limitation of recovery of the Company's investments in its

nuclear generation assets, we believe the accelerated cost recovery makes sense, especially since no electric rate increase would result to the Company's customers by adoption of the plan. Accordingly, the Company's plan is approved as filed.

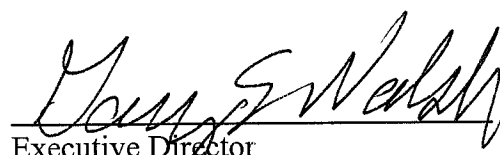
However, we would note that our approval of the proposed accounting treatment shall not be considered precedent, and Commission approval herein granted shall not prejudice the right of any party to take issue with the amount or with the accounting treatment of these costs in any future rate or earnings related proceeding. The amortization periods for any remaining unamortized balances, if any, would be subject to review and modification as appropriate.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)